

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 NEA-10 ISO-00 SOE-02 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /140 W
-----059181 171653Z /41

R 171551Z JUL 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 4853
AMEMBASSY ALGIERS
INFO AMEMBASSY BELGRADE
AMEMBASSY BONN
AMEMBASSY RABAT
AMEMBASSY STOCKHOLM
AMEMBASSY TUNIS
AMEMBASSY VIENNA

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E.O. 11652: N/A
TAGS: ENRG, AG
SUBJECT: ALGERIAN LNG SALES

REF: (A) ALGIERS 2010; (B) ALGIERS 1969

1. SUMMARY: JULY 13, WE SPOKE TO EL PASO'S EUROPE-
AFRICA DIRECTOR, WHO HAD JUST RETURNED TO PARIS FROM
A JULY 12 MEETING IN ALGIERS WITH GOA INDUSTRY MINISTER
GHOZALI. HE REPORTS THAT, WHILE THE TIME SPECIFIED FOR
COMPLETION OF EL PASO II APPROVAL PROCESS ELAPSED AT
THE END OF 1977, THE GOA HAS STILL NOT RPT NOT TAKEN
ANY EXPLICIT ACTION TO CANCEL THIS CONTRACT. ALGERIANS
HAVE, HOWEVER, GIVEN NOTICE THAT -- IN THE ABSENCE OF
ANY USG DECISION ON LNG IMPORTS -- THEY WILL PROCEED TO
MAKE COMMITMENTS TO OTHER CUSTOMERS FOR MOST OF THE
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APPROXIMATELY 70 BILLION CUBIC METERS OF NATURAL GAS
THEY EXPECT TO HAVE AVAILABLE TO SELL YEARLY AS A
RESULT OF THEIR CURRENT PRODUCTION DEVELOPMENT PROGRAM.
BINDING OBLIGATIONS HAVE ALREADY BEEN MADE FOR ALMOST
50 BILLION CUBIC METERS. ALSO, ACTIVE NEGOTIATIONS
WITH VARIOUS EUROPEAN COUNTRIES (AND TUNISIA) ARE IN
TRAIN FOR AN ADDITIONAL 10 TO 12 BILLION CUBIC METERS,

AND OUR SOURCE THUS FEELS THAT THE GOA IS NO LONGER IN A POSITION TO MEET BOTH TENNECO AND EL PASO II CONTRACTS, EVEN SHOULD THESE EVENTUALLY RECEIVE APPROVAL FROM WASHINGTON. HE ADDS THAT EL PASO II IS NOW MORE OF AN "OPTION" THAN IT IS A "CONTRACT" AND THAT THE OPTION WILL EXPIRE JUST AS SOON AS THE LAST APPROXIMATELY 10 BILLION CUBIC METERS ARE ALSO TAKEN. EL PASO IS DISCOURAGED. END SUMMARY

2. ON JULY 13, WE DISCUSSED WITH EL PASO EUROPE/AFRIQUE P-DG COWART ALGERIAN PLANS FOR SALES OF NATURAL GAS THAT IS NOW BECOMING, OR WILL SOON BECOME, AVAILABLE UNDER GOA'S CURRENT PRODUCTION DEVELOPMENT PROGRAM. COWART HAD JUST RETURNED TO PARIS FROM A JULY 12 MEETING WITH MINISTER OF INDUSTRY GHOZALI. HE SAID HE FOUND GOA ATTITUDE TOWARD EL PASO II AND TENNECO CONTRACTS TO BE ONE OF RAPIDLY INCREASING DOUBT THAT THEY WOULD EVER COME TO FRUITION.

3. WHILE CASTING NO DOUBT WHATSOEVER UPON THE GOOD FAITH IN WHICH BOTH THE US GOVERNMENT AND PRIVATE COMPANIES HAVE NEGOTIATED OVER THE PAST THREE YEARS, GHOZALI TOLD COWART OF GOA BELIEF THAT THE US "JUST DOES NOT HAVE AN ENERGY POLICY, AND CAN NOT DECIDE ON ONE." ALGERIANS, COWART SAID, FEEL USG DELAY IN APPROVING CONTRACTS IS CLEAR SIGNAL OF ITS LACK OF LIMITED OFFICIAL USE

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ENTHUSIASM FOR LNG IMPORTS, AND THEY ARE THUS MOVING QUITE QUICKLY NOW TO LINE UP CUSTOMERS FOR ALL AVAILABLE PRODUCTION, VIZ: ABOUT 70 BILLION CUBIC METERS/YR BEGINNING WITHIN NEXT SEVERAL YEARS. ABOUT 50 BILLION OF THIS AMOUNT HAS ALREADY BEEN COMMITTED ELSEWHERE, SOURCE SAID, 10 BILLION PLUS MORE ARE UNDER ACTIVE NEGOTIATION, AND THE ROUGHLY 10 MILLION REMAINING ARE, FOR THE MOMENT, STILL UP FOR GRABS BETWEEN TENNECO AND EL PASO.

4. WE TOLD COWART WE UNDERSTOOD THAT MORE THAN 70 BILLION CUBIC METERS -- PERHAPS AS MUCH AS 80 TO 84 BILLION (REF B, PARA 5) -- MIGHT IN FACT BECOME AVAILABLE. HE REPLIED THAT, DURING THEIR JULY 12 MEETING, GHOZALI HAD PUSHED EL PASO TO START WORK ON "CERTAIN FIELDS" WHERE INITIAL GAS DISCOVERIES HAVE BEEN MADE, BUT WHERE NO DEVELOPMENT WORK HAS YET BEGUN. GIVEN ITS EXPERIENCE IN ALGERIA TO DATE, HOWEVER, COWART SAID HIS COMPANY WAS NOT RPT NOT INTERESTED IN EMBARKING UPON THE EXPENSIVE PROCESS OF DEVELOPING NEW FIELDS WHERE COMMERCIAL QUANTITIES OF GAS EITHER MAY OR MAY NOT EXIST. EFFECTIVELY, HE SAID,

THE TOTAL EXPORT FIGURE UPON WHICH EL PASO BASES ITS
CALCULATIONS IS THE SAME AS THE 70 BILLION CUBIC METER/
YR PLANNED CAPACITY FIGURE PUBLISHED JULY 4 BY EL
MOUDJAHID.

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CIAE-00 COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /140 W
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R 171551Z JUL 78
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AMEMBASSY ALGIERS
INFO AMEMBASSY BELGRADE
AMEMBASSY BONN
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5. WE REALIZE GOA NATURAL GAS ALLOCATION FIGURES
HAVE ALREADY BEEN REPORTED BY VARIOUS SOURCES UNDER
VARIOUS FORMATS. NEVERTHELESS, FOR ADDRESSEE INFORMA-
TION AND COMPARISON PURPOSES, THERE FOLLOWS EL PASO'S
BREAKDOWN OF THE APPROXIMATELY 50 BILLION CUBIC METERS/
YR ALREADY COMMITTED, PLUS THE 10 TO 12 BILLION CUR-
RENTLY UNDER NEGOTIATION:

CUSTOMER	AMOUNT	PLANT
(BILLION CUBIC METERS/YR)		
ALREADY COMMITTED		

GAZ DE FRANCE 1.5 KAMEL
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AND BRITISH GAS

ANNEGAZ (SPAIN) 4.5 SKIKDA

GAZ DE FRANCE 3.5

DISTRIGAS (BOSTON) 1.2 "

EL PASO I 10.0 ARZEW

TRUCK LINE 4.5 2 NEW PLANTS,
1 OF WHICH IS
NOW UNDER
CONSTRUCTION

DISTRIGAS (BELGIUM) 5.1 "

GAZ DE FRANCE 5.3 "

RUHRGAZ 8.0 "

THYSSENGAS/
GEWERKSCHAFT BRIGITTA 4.0 "

GAS ALREADY COMM-
ITTED: SUB-TOTAL

UNDER ACTIVE NEGOTIATION

YUGOSLAVIA 1.5
SWEDEN 2.0
ELF/AQUITAINE 2.0
FRANCE
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GAZ DE FRANCE 5.0
TUNISIA 2.0

GAS UNDER ACTIVE NEG-
OTIATION SUBTOTAL
12.5

SOURCE NOTED TUNISIANS ARE PUSHING -- UNSUCCESSFULLY

SO FAR -- FOR SPECIAL PRICE TREATMENT AS BROTHER-STATE,
BUT THAT YUGOSLAVIA SEEMS EAGER TO INCREASE THEIR
PURCHASES TO COVER ANY AMOUNT UP TO 3 BILLION CUBIC
METERS/YR, SHOULD THE TUNISIAN NEGOTIATIONS FOUNDER OR
SHOULD THE GOA BE WILLING TO START DIPPING INTO THE
FINAL 10 BILLION CUBIC METERS.

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SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /140 W
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R 171551Z JUL 78
FM AMEMBASSY PARIS
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6. RETURNING TO THE REMAINING 10 BILLION CUBIC METERS,
SOURCE POINTED OUT THAT SINCE TENNECO AND EL PASO
II TOTAL ABOUT 20 BILLION CUBIC METERS/YR, IT IS
"OBVIOUS," THAT THE GOA IS NO LONGER IN A POSITION TO
MEET BOTH TENNECO AND EL PASO II CONTRACTS, EVEN
SHOULD BOTH OF THESE EVENTUALLY RECEIVE APPROVAL FROM
WASHINGTON. HE NOTES THAT ALGERIANS ARE COMPLETELY
WITHIN THEIR CONTRACTUAL RIGHTS IN SEEKING ALTERNATE
CUSTOMERS UNDER PRESENT CONDITIONS. THEY HAVE NOT RPT
NOT TAKEN EXPLICIT STEPS FORMALLY TO CANCEL EL PASO II,

BUT THE TIME PERIOD SPECIFIED FOR COMPLETION OF ALL
OFFICIAL APPROVALS AND CLEARANCES EXPIRED ON DECEMBER
31, 1977. EL PASO II IS NOW MORE OF AN "OPTION" THAN
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IT IS A "CONTRACT," COWART SAID.

7. GIVEN THE DIRECTION IN WHICH THE GOA IS NOW MOVING,
COWART ESTIMATES THAT THE USG HAS "ABOUT THREE OF FOUR
MONTHS" TO APPROVE ADDITIONAL GAS FOR EITHER EL PASO
OR TENNECO. FAILING THIS HE SAID, THE US WILL BE
EXCLUDED FROM FURTHER EXPLOITATION OF ALGERIAN
NATURAL GAS FOR THE FORSEEABLE FUTURE -- ALL AVAILABLE
SUPPLIES WILL HAVE BEEN COMMITTED. EL PASO, HE
CONCLUDED, IS "OBVIOUSLY DISCOURAGED" THAT THE USG
CLEARANCE PROCESS, WHICH HAS ALREADY CONSUMED THREE
YEARS, IS TAKING SO LONG THAT A MAJOR OPPORTUNITY FOR
ACCESS TO NATURAL GAS COULD WELL BE LOST.
HARTMAN

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